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U.S. Needs Positive Program to Win Asian Support

The United States now has the most promising opportunity since 1945 to assume and maintain constructive leadership in world affairs and to replenish what Wendell Willkie described as our "reservoir of goodwill." The paramount question here and abroad is whether this country will seize the opportunity within its grasp or lose it because of inadequate understanding of other peoples.

Wish or Reality?

To play an effective role on the rapidly changing international scene, the United States will have to distinguish more sharply than in the past between what it would like the world to be and what the world really is. This does not mean supine acceptance of the existing situation. But it does mean that policy decisions must be based not on wishful thinking but on determination to face the facts of life, no matter how unpleasant they may be.

Many criticisms have been made of this country's intelligence service, and of its failure in specific instances, notably the Bogotá conference, Yugoslavia's split with the Kremlin and most recently the North Korean invasion; and a fresh start is contemplated with the appointment on August 18 of General Walter Bedell Smith, former Ambassador to Moscow, as director of the Central Intelligence Agency, succeeding Rear Admiral Roscoe H. Hillenkoetter. Yet available evidence does not indicate that Washington suffered from either inadequate or inaccurate information. The problem has been not so much the lack of information but

faulty analysis of given situations. Nor is it possible to expect improvement in evaluation if domestic political considerations and prevailing preconceptions about other countries continue to obscure, and sometimes actually distort, our view of the outside world.

Among these preconceptions perhaps the most persistent is that the Yalta and Potsdam agreements transformed Russia into a great power. The reality is that, for better or worse, Russia had been a great power for at least two centuries before 1914. During that period no development of importance occurred in Europe and Asia—from whose political affairs the United States then held aloof by its policy of isolation—without Russia's participation. But while the Tsarist Empire was a great power, it was also a weak great power because of its economic backwardness as compared with the industrial nations of Western Europe and later with Asia's one industrial nation, Japan—as was clearly demonstrated by Russia's defeat in the Russo-Japanese war of 1904-05 and in World War I. Although the U.S.S.R. since 1917 has made great strides toward industrial development and thereby toward attainment of modern military strength, it is still today relatively backward as compared with the chief remaining advanced great power in the world, the United States. The position of dominance attained by the U.S.S.R. in 1945 was due, in part, to the military defeat it had inflicted on the Germans in the East, but in larger part perhaps to the diminution in strength of other great nations which at various times in history had

been its rivals or opponents—France, Britain, Germany and Japan.

Regaining Lost Strength

The United States at the close of World War II was in an excellent position to fill the vacuum caused by the decline of other great powers and thereby counterbalance the newly accrued influence of Russia. To do so, however, it would have had to maintain a substantial part of its armed forces in Europe and Asia. This was pointed out on September 28, 1945 by the *Foreign Policy Bulletin* which stated that "overswift demobilization could weaken the United States in its job of policing the European and Asiatic enemies, and induce forgetfulness of the importance of long-term military strength in this new era of peace." Yet so overwhelming was the natural desire to "bring the boys back home" that few voices were raised in political or military circles against rapid demobilization. Now that we are engaged in the arduous task of "creating situations of strength," to quote Secretary of State Dean Acheson, it may be wise to recall that this demobilization was carried out not at the behest of Russia but at the behest of the American people.

This initial reluctance to acknowledge the tremendous changes wrought by World War II in the international balance of power has caused many Americans to overestimate the assistance that, in case of emergency, we might expect from the war-weary countries of Western Europe. Much has been said about the "satellite" relationship to the U.S.S.R.

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of the Eastern European countries, and even of China under the Communist regime; one of the factors in this relationship unquestionably is the pressure applied by the Kremlin to make these countries comply with Russian policy. But if we are honest with ourselves, we shall have to recognize the fact that our friends in Europe and other continents—not only traditionally small nations but great powers now reduced in strength like Britain and France—have become increasingly dependent on the United States for military as well as economic aid, although this dependence has not been translated into uniformity on all international issues.

Some of the balance of power problems with which we were reluctant to come to grips in 1945 have been in part resolved by Washington's wise decision to place resistance to North Korean aggression under the aegis of the United Nations. The response to the UN's call for world-wide military aid in Korea has underlined the known weakness of countries other than the United States and the U.S.S.R. But now, at least, the United States within the international organization can rebuild the position of strength it voluntarily scrapped in 1945—and can do so with far greater moral support on the part of other nations than if it had followed a unilateral course.

After Victory, What?

The task ahead is to make constructive use of the new strength achieved by the United States. Military preparedness or military victory alone will prove hollow unless they can be made to serve as underpinning to stabilize the rest of the world. Yet it will prove far more arduous to understand and fulfill the requirements of peaceful stabilization than to rearm or to win battles. Even after the experience of Korea, the tendency persists here to identify Russia with all attempts at reform in Asia which seem to fit into the catchall category of "communism." There is still a prevalent expectation that once the North Koreans have been defeated, somehow or other Korea and, it is hoped, other countries of Asia as well, can settle down to creating political and economic institutions on the American model.

What we still find difficult to grasp here is that Asian nationalism represents not only a desire for independence from Western rule but also, more and more strongly, a desire to change economic and social conditions. What is underway in

Asia is not only a movement to alter the relationship between colonial powers and dependent peoples, but also the relationship between groups within each of the nations newly come to independence or still struggling to achieve it. While Mr. Malik is telling only half the story when he describes the war in Korea as solely a civil war, the struggle over internal changes does generate civil strife, actual or potential, in many countries. Most Americans would agree out of a deeply ingrained sentiment of anti-colonialism on the need for termination of colonial rule, although our support of Bao Dai cannot but confuse Asian minds on this score. But it is much harder for most of us to accept internal adjustments within Asian nations which can be labeled as "revolutionary," especially if they are inspired by or harmonize with Communist ideas. The automatic reflex then is to say that, undesirable as Chiang Kai-shek may be, we still prefer him to the Communists in China—without stopping to ask whether the mainland Chinese happen to share our preference. Thus, sometimes quite unconsciously, no sooner do we assure Asians that we believe in their independence than we try to tell them what kind of government or economy they should have. This ambivalence makes it impossible for American propaganda to carry much conviction, even if it did succeed in penetrating among the Asian masses—which for the most part it does not do today.

How can we convince the Asian peoples that we genuinely want them to be independent, not only of the Western European powers and of Russia, but also of our own preconceptions about their future, no matter how well-intentioned? In an interview published by *The New York Times* on August 20, Pandit Nehru declared that "this business of a kind of crusade against communism is wrong and not even practical politics as far as Asia is concerned." Most Americans with experience in underdeveloped nations—not only in Asia, but in Europe as well—recognize that reforms are needed and are usually long overdue, but that such reforms cannot be carried out without fundamental political and social readjustments opposed by those who happen to hold power.

Because of America's sentiment against socialism, not to speak of communism, it will be difficult, perhaps impossible, to rally here sufficient support for acceptance

of governments in Asia which do not conform with prevailing ideas of what is right and proper for the United States. It will also be difficult, perhaps impossible, for Washington to insist with the required degree of vigor that nations receiving our aid carry out reforms regarded as essential, without exposing this country to the charge of exercising a new kind of imperialism. On all these scores it would seem wise for the United States to seek the advice of other nations, especially those of Asia, as to the post-war aims for which the UN forces should fight in Korea, and the character of reforms that are deemed necessary not in Korea alone, but also in other underdeveloped countries. The proposal made on August 14 by the Indian delegate to the UN Security Council, Sir Benegal Rau, that a committee of the Council's non-permanent members study proposals for the future of Korea, offers a promising approach in this respect.

Opportunity for U.S.

The Asian peoples indirectly owe a great deal to Russia. For fear of Russia and of communism has acted as a goad on the Western nations since 1945, greatly accelerating the rate of changes in relations between advanced and backward nations as well as between white and non-white peoples. Our attempts to persuade Asians that they are threatened by Russian imperialism will not carry great weight unless we can give them a convincing preview of what we propose to offer them once Russia has been checked. Nor will anything be accomplished by glowing promises of rapid improvement in living standards unless we are able, to use Nehru's phrase, to "deliver the goods." Otherwise our pledges may turn out as deceptive as we now claim Communist pledges to be.

If, however, we can now bring ourselves to look as realistically as possible at the world situation in general and at Asia in particular and to take into consideration the wishes of other peoples,—not only our wishes for them—the United States would become the first great power in history to reject the seemingly easier prizes of empire for the more lasting prizes of genuine international cooperation. This, in itself, would constitute the greatest victory this country could win over the U.S.S.R.

VERA MICHELES DEAN

Philippine Crisis Threatens U.S. Policy in Asia

When the United States transferred sovereignty to the Philippine Islands in 1946, it was hoped thereby to achieve, among others, two important objectives: first, to establish a strong, pro-Western regime in the Far East; and second, to increase the moral influence of the United States in Asia by demonstrating American sympathy for nationalist movements, by exhibiting the values of a democratic form of government and by refuting Communist charges that this country is "imperialistic."

Today, in the light of four years' experience, the realization of these objectives falls far short of the sanguine hopes of 1946. The internal weaknesses of the Manila regime open it to possible overthrow by a Communist uprising and offer small encouragement for other Asian countries.

The short-run implications of this situation were recognized by President Truman in his historic statement of June 27 on Korea in which he announced that the United States would augment its armed forces in the Philippines and would give military aid to the Manila government. Such assistance, however, will do little to alleviate the long-run problem which can only be met by basic economic and political improvements.

The President on June 29 took a preliminary step to provide long-range help when he dispatched an economic survey mission to the Philippines. This twenty-man group of experts, under the chairmanship of Daniel W. Bell, former Under-Secretary of the Treasury, is currently studying the total Philippine economic situation preparatory to making recommendations both for American assistance and for Filipino self-help.

Peasant Distress

The most dangerous symptom of the long-range Philippine malaise is the Communist-led rebellion of the Hukbalahaps. These guerrillas, recently renamed the "People's Liberation Army," are said to number some 15,000 men. One of their chief leaders, Luis Taruc, recently reaffirmed his international Communist orientation in an interview with the editor of the *Manila Times* published on July 5. The hit-and-run tactics of the Huk guerrillas are aided by a Communist-controlled peasant union which claims 200,000 members.

The Filipino government is conducting

an indecisive military campaign to suppress the guerrillas. But it will be difficult to eliminate the Huks until the serious and genuine grievances of the peasants have been faced. Some admirable legislation, such as the 1946 law drastically raising the tenants' share of their crops to 70 per cent (if they supply their own equipment), has proved of little value because powerful landlords have impeded its implementation. Redistribution of land—with compensation to present owners—and resettlement projects, both urgently needed, are costly enterprises which the government has not the funds to undertake. Consequently protracted civil strife in the countryside may be expected. This will naturally reduce already inadequate food supplies and impose an exhausting drain on the war-stunned Philippine economy.

Without external assistance on a substantial scale—such as the Chinese Communists might conceivably give should they conquer Formosa—it is doubtful if the Huks could overthrow the Manila regime. However, should the internal crisis now racking the islands lead to a breakdown, the Huks would be eagerly waiting in the background to seize power.

This is the consideration which makes the daily reports in the Philippine press of corruption and scandals throughout the political structure a matter of the utmost seriousness. Details of the more spectacular cases were recently described by Blake Clark in the June *Readers' Digest* and in American newspapers. President Quirino has initiated some steps to clean up this morass. Unfortunately the President himself—his victory in last fall's election was reportedly accomplished by somewhat dubious means—has many political debts to pay in order to retain his precarious hold on the Liberal party. Accordingly, he has belittled the accounts of corruption and questioned the motives of American correspondents who report on the situation.

Underlying the corruption and disorder manifest in the political sphere, however, is a basic economic sickness, symptomatized by heavy deficits in the national budget, unbalanced foreign trade and high prices. The government's fiscal inadequacy was dramatically revealed on August 6 when the Philippine auditing office revealed that government warrants

totaling \$20 million could not be paid. Government deficits rose from 41 million pesos (two pesos exchange for one dollar) in June 1949 to at least 319 million pesos reported to the Bell mission in July 1950. Other estimates go as high as 400 or 500 million pesos. The chief reason for this situation is the low level of taxation—only some 10 per cent of national income in contrast to about 20 per cent collected in the United States. As a result the government cannot afford many needed improvements, poorly paid civil servants are tempted to accept illicit income and the discrepancy between the luxury of the rich and the penury of the poor is further aggravated.

Colonial Economy

The core of the Philippine economic problem, however, lies in its "colonial" development. During the period of dependency, it specialized in the production of cash crops—sugar, hemp, tobacco, copra, etc.—which sold readily in the free American market. The population meanwhile soared from 7.6 million in 1903 to 19.2 million in 1948—or 1,000 persons per square mile of cultivated land—with little corresponding increase in food and consumers' goods production, demand being met by imports paid for with the cash crop exports. The subsistence sector of the economy continued to follow antiquated methods, burdened as it was by the oppressive share-cropping system which tied millions of peasants to the lands owned by the *caciques* (landlord oligarchy) and gave them no benefits for any improvements they might make. At the same time the capital accumulation which took place in the islands was largely in the hands of Americans, Chinese and other foreigners, a Filipino middle class failing to develop save in the most embryonic form.

At the end of World War II the major export industries lay in ruins. At the same time United States disbursements in the islands—almost \$2 billion so far—for the maintenance of its military establishment, as compensation for war damages, in benefits to Filipino veterans and through the sale of war surpluses provided the means not only for rehabilitation but also for the development of new industries to supply Philippine consumption needs and to compete on the world market.

For several reasons, however, economic recovery followed unfortunate lines. Because American funds were largely distributed in small amounts to individuals, they were spent chiefly for consumers' goods, only about 30 per cent going into capital equipment and raw materials. In order to restore exports as rapidly as possible, the old primary industries were rehabilitated. Thus sugar rose from 2 per cent of the 1937 level in 1947 to 48 per cent in 1949. The provisions of the Philippine Trade Act of 1946 ensured free entry of these commodities into the United States until 1954, thereby assisting precisely those industries which would least serve the long-run interests of the Philippine economy, at the expense of consumers' goods production. The gradual imposition of United States tariffs, beginning in 1954, means that most of these industries, especially sugar, are ultimately doomed.

The development of diversified industry has also been inhibited by lack of capital. The Philippine government has limited funds; American investors have been reluctant to invest in new ventures, preferring to restore old industries; discriminatory measures against other foreign capital, especially Chinese, and the marked preference of Filipinos for investing their money in high interest bearing speculations, real estate transactions or loans to consumers, have kept productive capital from emerging. Moreover, the lack of professional personnel, engineers and skilled workers have hampered industrialization. Elaborate development plans have been drawn up by Philippine agencies and American consultants, but there is little to show for them today, although much has been accomplished in the rehabilitation of roads, buildings, harbors and various public services.

Exchange Difficulties

Opportunities missed during the past five years will not be available in the future. When American payments fall from the peak rate of \$400 million a year to \$260 million this year, \$160 million next year and less than \$75 million thereafter, the Philippines will be unable to buy needed imports—a problem which will be aggravated when the imposition of Amer-

ican tariffs begins to cut down exports. The seriousness of the foreign accounts deficit was demonstrated by a negative balance of more than 900 million pesos in 1949. Of this total about 600 million was accounted for by the excess of merchandise imports over exports. To meet this debit the Philippines could utilize only 620 million pesos in United States net disbursements and consequently had to draw heavily on its dollar reserve in Washington, which has consequently fallen from its 1945 level of \$557 million to only \$220 million.

The Philippine government has imposed strict import and exchange controls as well as other measures to deal with this dangerous situation. Nevertheless, the fact that both the dominant Liberal party and the opposition Nationalists are largely supported by conservative landlord and commercial interests, plus the lack of any strong, popularly based non-Communist party, militate against the promulgation of needed reforms and the vigorous encouragement of new industries. If the government is to be induced to carry out reforms, therefore, the Bell mission will have to make recommendations of a fundamental character and will have to put them in a form which can obtain strong popular support. Unless the report is so patently in the interest of the Filipinos as to command such backing, it might well be condemned as "imperialistic" and thereby lose its effectiveness. This would apply particularly to any conditions which might be attached to additional American aid as a means of applying pressure.

Preliminary observations by members of the mission indicate that the Philippines have plentiful economic resources for future development and resettlement: What is needed is the will and ability to utilize them. If the Bell group conceives of its task in wide enough terms, even though specific Filipinos and Americans may be called on to make sacrifices, it may help to put the Philippine Republic on its feet as a real demonstration of democracy at work in Asia. If, however, it finds it necessary to limit itself to the short-run task of propping up the present regime and its supporters, both American and Filipino, it will meet with failure.

FRED W. RIGGS

News in the Making

A BRITISH POINT FOUR?: The national committee of the British Labor party published a policy statement on August 20 calling for a world plan of mutual aid to succeed the European Recovery Program of 1952. The plan is designed to sustain both the prosperity of industrial nations and to assist underdeveloped countries in combating poverty. Finances and technical assistance would be contributed by participating nations according to their abilities.

REARMAMENT—HOW AND WHEN?: On the eve of the fifth United Nations General Assembly, scheduled to open on September 19, the Foreign Ministers of the twelve Atlantic pact nations will confer in New York on plans for speeding up the rearmament of Western Europe. Britain and France have already made known their intention to expand defenses in terms both of manpower and matériel, but only if additional financial aid from the United States becomes available.

MONETARY AGENCIES TO MEET: The governing boards of both the International Monetary Fund and the International Bank for Reconstruction and Development are to hold a joint meeting September 6-14 in Paris. This gathering will provide an opportunity for the first membership round-table discussions on the effect of the currency devaluations of September 1949.

A SOLOMON NEEDED: Conversations to be held at The Hague on August 28 and 29 between Dutch Foreign Minister Dirk U. Stikker and Australian Minister of External Affairs Percy C. Spender may bring new proposals for settlement of the New Guinea question, possibly including the idea of joint administration of the great island. The western half, now under Dutch control, is currently in dispute between Holland and Indonesia. The relatively primitive inhabitants are unrelated ethnically to the Indonesians, but Jogjakarta feels so strongly about its claims to the territory that it will not consent to continued Dutch rule; nor is the Netherlands government willing to abandon its last Pacific possession.

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